



Impact of Global Supply Trends on Food Markets

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Presentation Outline

- Changing marketing scene
- Changing supply arrangements
- Food Quality and Safety & GAPs
- Market access and standards
- GAPs
- Challenges to wholesale markets

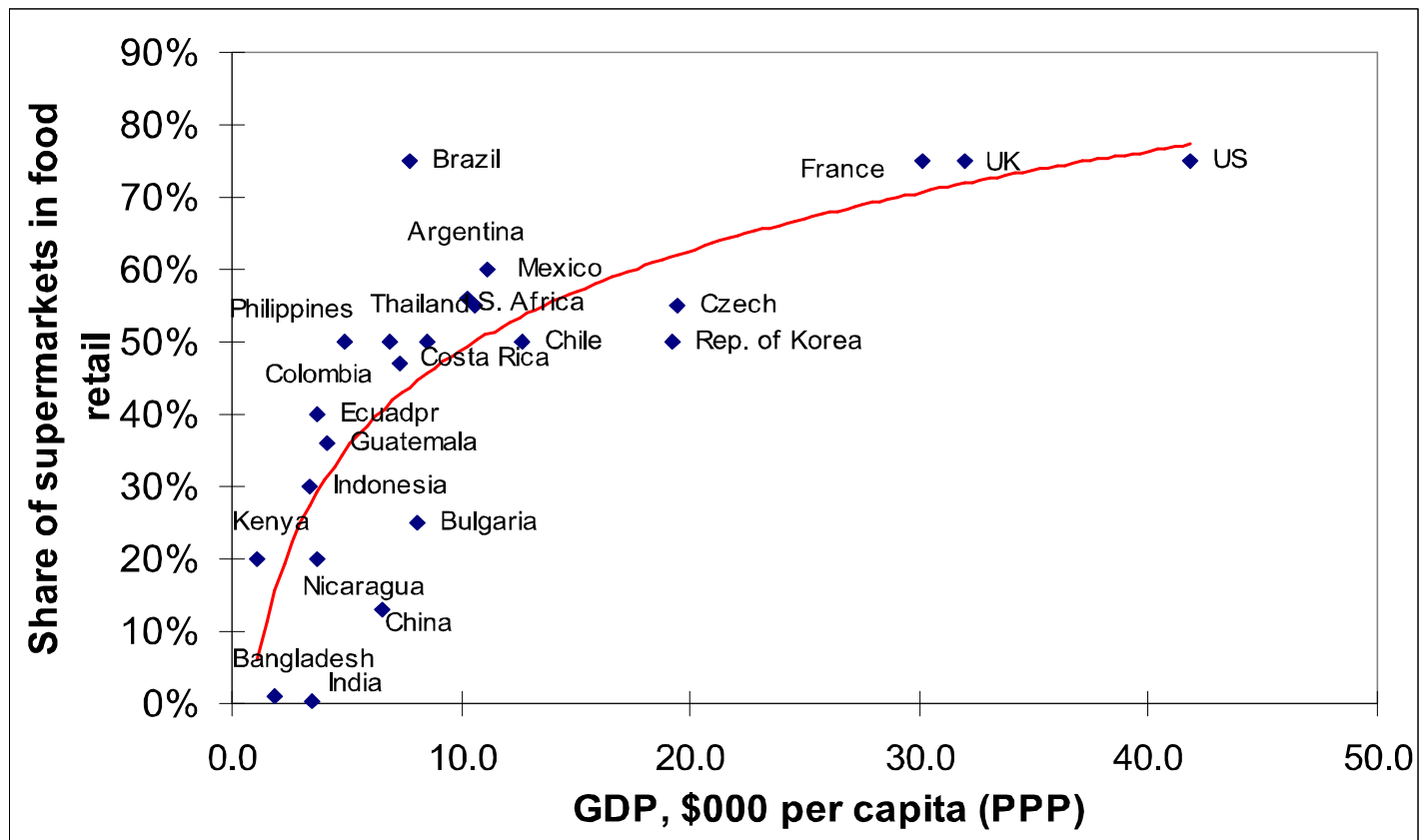


Markets are changing due to:

- Income growth and urbanisation
- Increased attention to Quality and safety+ environment and social issues
- Changing consumer preferences
- Changing eating habits
- Low margins and high competition
- Demographic, cultural and social changes- out of home eating
- Increased travel, booming tourism
- Development of official and private food safety standards

Supermarket Growth

Figure 5.4 Rising per capita incomes are important drivers of supermarket growth



Source: Reardon and Berdegue (2006) and World Bank World Development Indicators.



Key drivers of change in agri-food systems

- *Rising incomes*
 - Diet diversification out of staples – meat, fish, fruit and vegs
- *Demographic Shifts*
 - Urbanization
 - Rising female employment
- *Technology*
 - ICT revolution
 - Chain management
 - Improved Processing and transportation
- *"Globalization"*
 - Foreign direct investment (in retail and production) & outsourcing- supermarket revolution
 - Trade liberalization- expanding number of supplier countries



Changes in Supply Arrangements

- Centralization of procurement
 - Reduced supplier lists

- Shift from wholesale spot markets to specialized wholesalers
 - New intermediaries and logistics

- Contract farming
 - Direct sales from exporters/farmers to supermarkets

- Rise of private standards
 - Quality, safety, environmental concerns



Food Quality and Safety

- ❑ Important !!
- ❑ Now increasingly a compulsory requirement
- ❑ Not Free
- ❑ Was taken for granted but cannot be today due to food scares e.g. USA greens
- ❑ Official Standards- national and international
- ❑ Private Standards- Europgep, BRC etc
- ❑ Certification and traceability reqd.



Food safety considerations- SWOT analysis

- 1. Food Control Management systems (including institutional organization/ fragmentation);
- 2. Food Legislation- is it clear and known to producers and consumers;
- 3. Food Inspection- is an effective system operating?
- 4. Labs- are they sufficient and equipped and staffed adequately?
- 5. Information Mechanisms - Increasing awareness of key issues to producers and consumers



Perceptions of Food safety

- Broad impacts when safety is violated because of consumer perceptions
 - Impacts much broader than the outbreak itself - externalities
 - Exacerbated when monitoring and observation are difficult and delayed info on source and cause

- Markets respond to perceptions of risk
 - Fluctuations in prices, production, and consumption
 - Producers impacted by falling sales e.g bird flu

- Maintaining perception of safety
 - Requires trust, knowledge, and transparency
 - Onus on producer and retailers to demonstrate safety-quality/safety marks



FDA reasons for refusals Dec 2006

China: Apple chips Color additive; Dried haw Color and food additives, filthy; label **Dominican Republic** Bitter melon, fresh tamarind **Pesticide** **India** Mango products **Pesticide**; Pickles Label, registration/filing **Mexico** Tamarind Filthy **Thailand** Preserved banana filthy

Australia Crystallized ginger Label **China** Dried mushrooms Filthy Preserved/pickled vegetable Registration/filing Preserved lettuce in chili sauce Label, registration/filing **Dominican Republic** Fresh papri and valor beans, longbeans, eggplant, hyacinth beans, chili/fruits/capsicum product **Pesticide** **Ghana** Yams Filthy Agushie Label Unknown product Label, filthy **India** Red chili **Pesticide** **Italy** Dry porcini mushrooms Filthy **Mexico** Dehydrated black beans, dry sweet pepper Filthy Fresh nopales **Pesticide** **Spain** Fresh red bell peppers -**Pesticide**



China Export Inspection starts 1 Sept 2007

- China from 1 September will begin marking food exports that pass quality tests with a special label. Food exports that have passed inspections will carry the label "CIQ", which stands for **China Inspection and Quarantine**.
- Packing must also carry the producer's name and address, batch number and production date, to keep the source of any potential quality problems on record and stem fake exports.
- The system is likely to increase the costs for Chinese food exporters, with about 20,000 shipments worth 100 million dollars in Dongguan, Guangdong province in the south alone to be inspected each year.



Emergence of dual food systems

- Demand for safe food growing quickly, esp. among middle income consumers in developing countries;
- Public systems have difficulty to handle quality differentiation;
- Private chains bypass public system when public standards fall short of consumer expectations;
- Results is increasing gap between public and private standards;
- Dualism → separation of traditional from new, modern food retailing outlets .



Fruit Trading in Beijing

- Millions of farmers, thousands of traders and wholesalers;
- Supermarkets claim complete control over their supply chains;
- In fact, procurement (80%) occurs through traditional wholesale system with market based produce supply companies buying in wholesale markets as prices are competitive;
- Market works very well, except...
 - No testing!



Market Access Issues

- Industrialized countries have stringent national quality and safety requirements
 - Commercial quality
 - Labelling and packaging
 - Maximum residue limits of pesticides (MRLs)
 - Traceability systems
 - Phytosanitary clearance
 - Customs clearance



Private Quality Standards/Certification

- Are now quasi-requirements to access the retail markets of industrialized countries where modern distribution is predominant
- Are very demanding on producers, involve higher costs and administration
- Pose a real challenge to collaborative management of agrifood supply chains involving smallholder producers
- Number and inadequate harmonization of standards are confusing and many countries now submitting the issue for discussion in international fora (UNCTAD, WTO)



Europgep and National Gaps

- Being promoted to assure quality and safety of food in domestic and export markets
- Reduces the risks from chemically intensive agriculture and incorporates environmental and social considerations;
- Facilitates export market access and increasingly a necessary requirement;
- However, little real price incentives for farmers
- Difficulty in benchmarking different national GAP programmes with private-sector led initiatives



Chile GAP

Ownership: ChileGAP a private sector initiative

Status: ChileGAP: EurepGAP benchmarked

- + ChileGAP blends requirement of EU and US markets
- + Explicit long-term policy to enhance food quality throughout the agri-food chain
- + Strong public sector support with financial mechanisms for investment and training
- - Organizational problems with smallholders impedes more participation



South Africa Gap

- ❑ PPECB/Ministry of Trade and Industry in South Africa:
- ❑ Ownership : Government initiative
- ❑ Status : PPECB Certification body with EurepGAP license;
- ❑ PPECB Statutory organization to support exports
- ❑ SABS, SANAS, NML, DPQH to ensure food quality and safety;
- ❑ Framework mostly to preserve EU market

PPECB: Perishable Product Export Control Board

SABS: S.A. Bureau of Standards; SANAS: S.A. National Accreditation System; NML: National Metrology Laboratory; DPHQ: Directorate Plant Health and Quality




Investment Requirements at national level for food safety and GAPs

- Establishment of national regulatory system;
- Local accreditation of certification systems;
- Lab analysis and lab accreditation;
- Documentation and record keeping systems;
- Input supply services and regulations-control of illegal pesticides etc;
- Training and technical assistance;



Capacity Building requirements for GAPs

- For extensionists and companies
 - EU/US/Japan food regulation and market requirements for exports /SPS/TBT agreement
 - GAP basic principles
 - IPM and integrated crop management
 - Packaging and post-harvest technologies
- Other agents
 - Laboratories practices/methodologies/sampling
 - Traceability procedures
 - GAP auditors
 - Market information systems



The challenge to wholesale and retail markets

- Assure that produce on the market is both safe and quality assured;
- Should/can wholesale markets provide certification and testing facilities re quality and safety of produce on offer (e.g. Fondi market, Italy) especially for local produce?
- Ensure that facilities are suitable for maintenance of safety and quality especially in older markets in developing countries (congested and unhygienic);
- Monitor supermarket standards and procurement models and adapt practices to meet these;
- Participate in discussions re food quality and safety standards and introduction of GAPs and promote their adoption.



What if nothing is done?

- Markets both wholesale and retail will lose share to modern retailers able to guarantee food safety and food quality !!!!!!!!!!!!!!!!!!!!!

Thank You for your attention